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GE BAUER
HURRICANE
PULVERIZER

SLP
Baker Talc Limited
(No Personal Liability)

Annual Report

For the year ending
February 28, 1973

Baker Talc Limited

(No Personal Liability)

Officers

Chairman of the Board: R. P. Mills

President: J. H. Morgan, Ph. D.

Vice-President: C. W. Bergstrom

Secretary: I. C. Miller

Treasurer: D. J. Egan

Directors

C. W. Bergstrom, Town of Mt. Royal, Quebec

D. J. Egan, Montreal, Quebec

Ian C. Miller, Montreal, Quebec

R. P. Mills, Westmount, Quebec

J. H. Morgan, Ph. D., Montreal, Quebec

Registrar and Transfer Agent

General Trust of Canada, 10 St. James Street, West

Montreal 126, Quebec.

Auditors

Price Waterhouse & Co.

Head Office

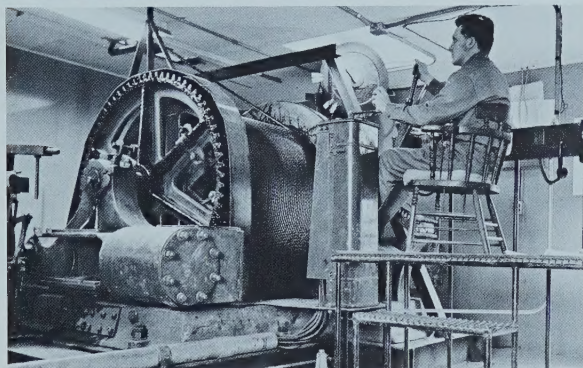
Suite 400, 621 Craig St. W., Montreal 101, Quebec. Telephone No. 861-9233

Mine Office

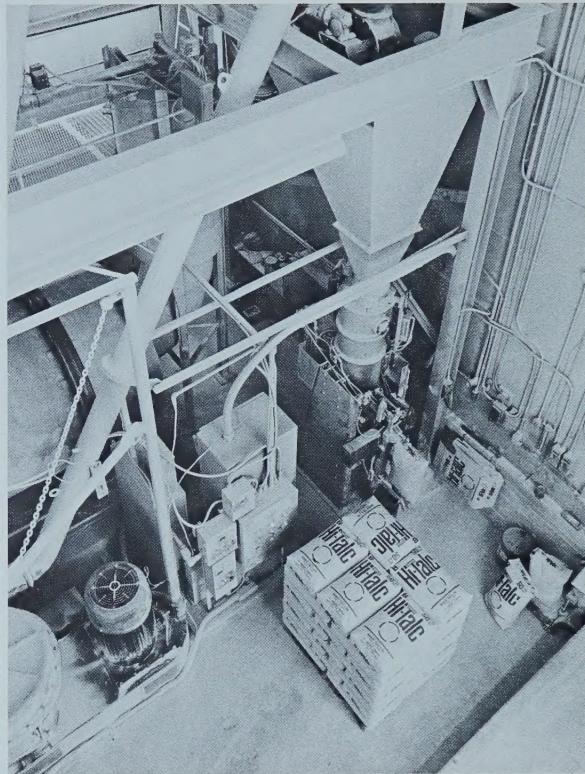
Highwater, Quebec.

*The Annual General Meeting of
Shareholders will be held in the
Blue Room, Windsor Hotel, Montreal,
Quebec, on Friday, June 22, 1973, at
11:00 o'clock in the forenoon
(Eastern Daylight Saving Time).*

*Cover: The Twin Bauer Hurricane
Pulverizers at the Highwater Mill.*



(Above) The mine crew. (Below) Hoist room at the Van Reet Mine, Guy Daigle, Hoistman.
(Right) Loading Talc ore at the Van Reet Mine.



(Left) Super HI-TALC pallet ready for Shipment. (Right) Bagging of Super HI-TALC at the mill in Highwater, Quebec.

To the Shareholders of BAKER TALC LIMITED

(No Personal Liability)

Your Directors are pleased to report on the activities and results of your Company's operations for the fiscal year, 1972. This was the most successful year in your Company's history, and we predict that 1973 will be an even better year.

Sales are showing a steady increase and should result in increased profits. New equipment is being added to increase output and to produce new products for the paper, paint and plastics industries.

Sales for the year were \$342,674 and total cost \$274,979, leaving an operating profit of \$68,153. After depreciation of \$27,401 and amortization of \$30,791 there was a net profit after all charges of \$9,784. This increase is reflected in the working capital which totals \$97,100 compared to \$51,437 at the end of the previous year.

Sales of Super HI-TALC in 1972 were 2,727 tons valued at \$190,820, as compared with 750 tons valued at \$52,500 in 1971. Sales for 1973 are forecast at 6,000 tons of Super HI-TALC with a value of \$450,000. This figure may be exceeded if delivery of new equipment and increase in production capacity is not delayed.

The new Super HI-TALC product has been found acceptable as a pitch-control agent in the manufacture of pulp and paper. Demand for this product exceeds the present production capacity and the plant is being expanded to meet the new requirements.

A second Bauer Hurricane Pulverizer has been added and modifications to the flotation circuit are underway to increase output. A Bauer Centri-Sonic Classifier is on order. This will be incorporated in the circuit to classify the product of the two Hurricanes. The Centri-Sonic will have capacity for the product of three Hurricanes, so a third machine will eventually be added. The main function of the Classifier will be to produce a finer and greater range of product, allowing diversification of markets into paper, paint and plastics.

We wish to express our appreciation to the staff of St. Lawrence Chemical Company (Sales) Ltd., whose efforts have produced the expanding sales picture and market for Baker Talc products.

Your Directors also wish to express their thanks and appreciation to your Manager, Mr. George Daigle, and his staff, for their devotion and effort in the development of the mine and milling process. The success of the operation is due to their work.

Your Directors submit for your consideration the attached financial statements for the year ended February 28, 1973. Notice of the Annual General Meeting of Shareholders, to be held in Montreal, Quebec, on June 22nd, 1973, is enclosed. A proxy form, in case you cannot attend the Meeting in person, is included.

Respectfully submitted, on behalf of the Board of Directors.

Montreal 101, Quebec.
May 29, 1973.



J. H. Morgan, Ph. D.,
President.

Baker Talc Limited

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

STATEMENT I

Balance Sheet

ASSETS

	February 28 1973	February 29 1972
Current assets:		
Cash	\$ 1,390	\$ 3,913
Short-term deposit receipts	25,000	—
Accounts receivable	54,903	23,861
Inventory of talc, materials and supplies, at the lower of cost and net realizable value	26,508	28,304
Prepaid charges	1,139	182
	<u>108,940</u>	<u>56,260</u>
Investment — shares of a mining company, at nominal value	1	1
Fixed assets — at cost:		
Buildings and machinery	508,013	474,696
Railway siding	2,554	2,554
Trucks	14,540	14,540
	<u>525,107</u>	<u>491,790</u>
Less: Accumulated depreciation	294,291	267,113
	<u>230,816</u>	<u>224,677</u>
Land, mineral rights, and mining claims held under development licenses (Note 1)	15,336	15,336
	<u>246,152</u>	<u>240,013</u>
Deferred expenditures:		
Mine development expenditures, at cost less accumulated amortization (Note 2)	235,362	245,116
Whiter talc development expenditure, at cost less accumulated amortization and IRDIA Grant (Note 3)	131,731	158,499
Exploration expenditures, at cost (Statement II and Note 1)	72,666	72,570
	<u>439,759</u>	<u>476,185</u>
Organization expenses	2,720	2,720
	<u>\$797,572</u>	<u>\$775,179</u>

LIABILITIES

	February 28 1973	February 29 1972
Current liabilities:		
Accounts payable and accrued charges	\$ 11,840	\$ 4,823
Loan from the Department of Industry, including estimated accrued interest (Note 3)	98,790	93,198
7% Convertible redeemable debentures, due February 1, 1976 (Note 4):		
Authorized	<u>\$ 400,000</u>	
Outstanding	39,700	39,700

SHAREHOLDERS' EQUITY

Capital stock (Notes 4 and 5):				
Authorized—				
4,000,000 shares of \$1.00 par value each.....		<u>\$4,000,000</u>		
Issued—	Shares	Discount	Net	Net
For net assets of predecessor company	182,090	\$ —	182,090	182,090
For cash	1,424,505	(1,007,700)	416,805	416,805
For debentures converted (Note 4)	478,700	(118,400)	360,300	360,300
For services rendered	50,000	(20,000)	30,000	30,000
	<u>2,135,295</u>	<u>\$(1,146,100)</u>	989,195	989,195
Deficit (Statement III)			(341,953)	(351,737)
			<u>647,242</u>	<u>637,458</u>
 SIGNED ON BEHALF OF THE BOARD:				
R. P. MILLS, Director				
J. H. MORGAN, Director			<u>\$797,572</u>	<u>\$775,179</u>

Baker Talc Limited

(No Personal Liability)

Statement of Deferred Exploration Expenditures for the Year Ended February 28, 1973

STATEMENT II

CHIBOUGAMAU AREA

	Balance, February 29, 1972	Expended during the year	Balance February 28, 1973
Diamond Drilling	\$46,831	—	\$46,831
Buildings and equipment	5,449	—	5,449
Engineering	5,106	—	5,106
Geophysical surveys and assays	4,492	—	4,492
Supplies	4,060	—	4,060
Wages and fringe benefits	2,538	—	2,538
Taxes, licenses and fees	2,267	96	2,363
Miscellaneous	1,827	—	1,827
Balance per balance sheet (Statement I)	<u>\$72,570</u>	<u>96</u>	<u>\$72,666</u>

Baker Talc Limited

(No Personal Liability)

Statement of Income and Deficit

STATEMENT III

	Year ended	
	February 28, 1973	February 29, 1972
Sales	\$342,674	\$234,732
Interest on deposit receipts	458	650
	<u>343,132</u>	<u>235,382</u>
Cost of sales	225,643	175,906
Administrative expenses	40,971	45,013
Interest on long-term debt	8,365	7,996
	<u>274,979</u>	<u>228,915</u>
Income before deducting the undernoted items	68,153	6,467
Depreciation	27,401	27,470
Amortization of development expenditures	30,791	23,632
Loss (profit) on sales of fixed assets	177	(3,788)
	<u>58,369</u>	<u>47,314</u>
Income (loss) for the year before income taxes and extraordinary item	9,784	(40,847)
Provision for income taxes (Note 7)	<u>2,500</u>	<u>—</u>
Income (loss) before extraordinary item	<u>7,284</u>	<u>(40,847)</u>
Income tax reduction arising from carry forward of prior years' losses (Note 7)	<u>2,500</u>	<u>—</u>
Net income (loss) for the year	9,784	(40,847)
Deficit at beginning of year	<u>351,737</u>	<u>310,890</u>
Deficit at end of year	<u>\$341,953</u>	<u>\$351,737</u>
Earnings per common share (Note 9):		
Income (loss) before extraordinary item.....	1/3 ¢	—
Net income (loss) for the year	1/2 ¢	(2¢)

Baker Talc Limited

(No Personal Liability)

Statement of Source and Application of Funds

STATEMENT IV

	Year ended	
	February 28, 1973	February 29, 1972
Source:		
Net income (loss) for the year	\$ 9,784	(\$40,847)
Estimated interest on loan from Department of Industry, not currently payable (Note 3)	5,592	5,163
Depreciation	27,401	27,470
Amortization of development expenditures	30,791	23,632
Loss (profit) on sales of fixed assets	177	(3,788)
 Funds provided from operations	 73,745	 11,630
 Proceeds from sales of fixed assets	 775	 12,677
 Grant received from the Government of Canada under the Industrial Research and Development Incentives Act	 17,318	 —
	<u>91,838</u>	<u>24,307</u>
Application:		
Fixed asset additions	34,492	20,870
Deferred expenditures	11,683	30,945
	<u>46,175</u>	<u>51,815</u>
 Increase (decrease) in working capital.....	 45,663	 (27,508)
Working capital at beginning of year	51,437	78,945
 Working capital at end of year	 <u>\$97,100</u>	 <u>\$51,437</u>

Auditors' Report

To the Shareholders of
Baker Talc Limited (No Personal Liability):

We have examined the balance sheet of Baker Talc Limited (No Personal Liability) as at February 28, 1973 and the statements of deferred exploration expenditures, income and deficit, and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at February 28, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, April 16, 1973

PRICE WATERHOUSE & CO.
Chartered Accountants

Baker Talc Limited

(No Personal Liability)

Notes to Financial Statements February 28, 1973

1. The amount at which the mining rights and related deferred exploration expenditures are recorded does not, and does not purport to, represent their present or future value.
2. Deferred mine development expenditures are being amortized over a period of twenty years, at a rate per ton based on the estimated future production of talc.

3. On September 29, 1967 the Company entered into an agreement with the Department of Industry (Programme for Advancement of Industrial Technology in Canada) whereunder the Department undertook to provide funds up to 50% of the cost of a research project, the purpose of which was to develop suitable methods for producing high quality talc from ores mined by the Company. Under the terms of this agreement the funds advanced together with accrued interest thereon, compounded annually, are repayable over a period not exceeding ten years from the date of the first commercial sale or first commercial use by the Company of products resulting from the project. The agreement further stipulates that under certain adverse conditions the Minister may postpone or extend repayment of the loan.

In connection with the above noted agreement, the Company received \$82,745 from the Department of Industry. Although the research project has been completed and sales of high quality talc are being made, the Department has not yet determined the repayment terms and the applicable interest rates. However, the Company is recording at an estimated rate the loan interest.

Deferred development expenditures on the "whiter talc" project are being amortized over a period of twenty years, at a rate per ton based on the estimated future production of the new product.

4. The 7% convertible redeemable debentures are severally dated the date of their issue; are redeemable at par in whole or in part at any time after February 1, 1971; and mature on February 1, 1976. They constitute a first floating charge to and in favour of the Trustee on the undertaking of the Company, its property and assets. The debentures are convertible at the option of the holder into fully paid and non-assessable common shares of the Company at the following rates for each \$100 principal amount:

1. February 1, 1972 to January 31, 1974 — 66⅔ Common shares

2. February 1, 1974 to January 31, 1976 — 50 Common shares

During the year ended February 28, 1973, no debentures were converted into capital stock.

5. By resolution of the Board of Directors on January 27, 1972, options were granted, subject to qualification of the Company under applicable statutes, to senior personnel of the Company to purchase a total of 20,000 shares of capital stock at 50¢ per share for a period of three years from March 12, 1972, provided that no more than 33⅓% be exercised in any one year. Any unsubscribed balance is to be cumulative to the termination date. The optionee must be an employee of the Company at the time of exercising his option.

No options had been exercised at February 28, 1973.

6. The Company is a party to an agreement with a service corporation which provides office accommodation and management services — geological, engineering and administrative. Fees paid to this corporation during the year ended February 28, 1973 amounted to \$12,000 (1972 — \$12,000). Two of the principal shareholders of the service corporation are directors of Baker Talc Limited (No Personal Liability).
7. As at February 28, 1973 the Company had accumulated losses for income tax purposes of approximately \$119,000 which are available to reduce future taxable income. These losses will expire as follows: 1974 — \$14,000; 1975 — \$34,000; 1976 — \$71,000. However, the aggregate of the net values at which depreciable fixed assets and deferred expenditures are carried on the books of the Company exceeds by approximately \$68,000 the total of the corresponding amounts available to be written off for tax purposes.
8. Remuneration paid by the Company to its officers, all of whom are also directors, amounted to \$15,600 for the year (1972 — \$19,400).
9. There would be no significant reduction of net income per common share if all the options and conversion privileges referred to in Notes 4 and 5 had been exercised.

